

2019 NCOFCU Annual Conference
Clearwater, Florida



**CECL UPDATE:
A PRACTICAL APPROACH
FOR CREDIT UNIONS**

Transition Date: January 1, 2023

Wed., October 2, 2019
4:15pm – 5:00pm

**Presented by:
Michael E.
Richards, CPA
Richards &
Associates**

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Weighted Average Remaining Maturity (WARM)

- Remaining life method utilizes average annual charge-off rates and remaining life to estimate the allowance for credit losses
 - All information available on NCUA website for past 20 years
- For amortizing assets, remaining contractual life is adjusted by the expected scheduled payments and prepayments (i.e., paydowns)
 - Information available from the Credit Union's ALM Program or
 - Industry average for similar loan types
- Average annual charge-off rate is applied to the amortization adjusted remaining life to determine the unadjusted lifetime historical charge-off rate

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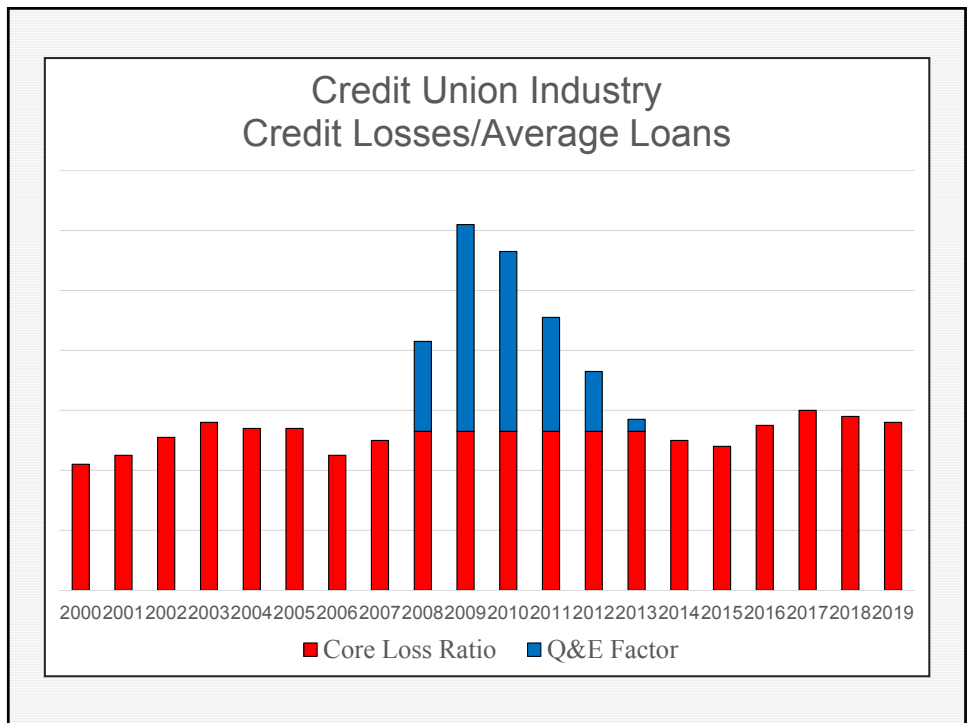
Qualitative and Environmental Factors

Know what factors affect your membership

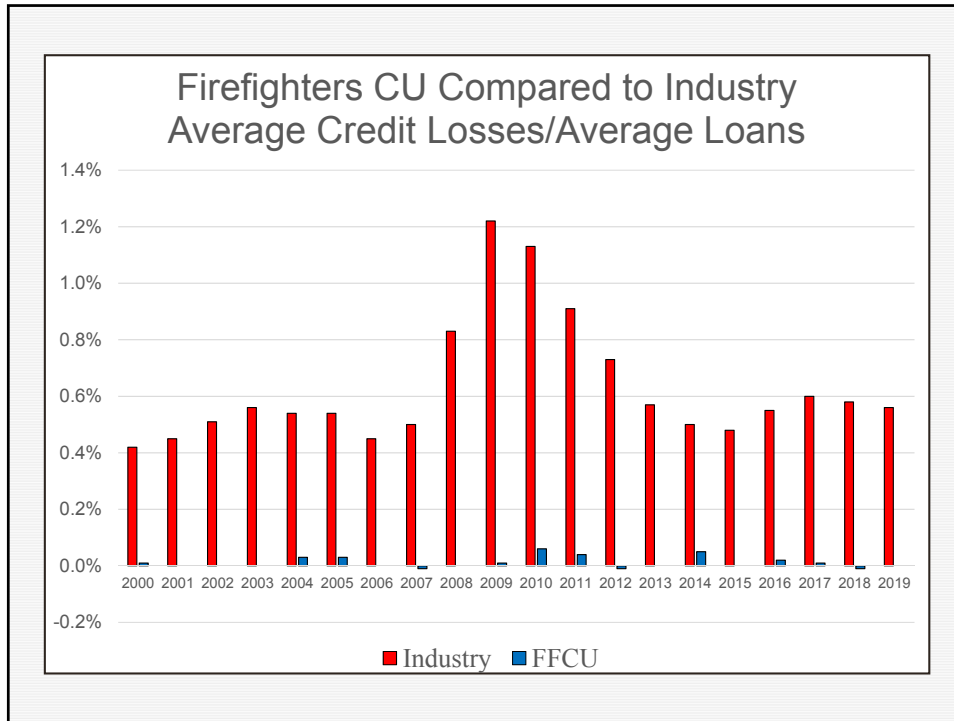
Include internal and external factors

Reasonable and supportable forecasts

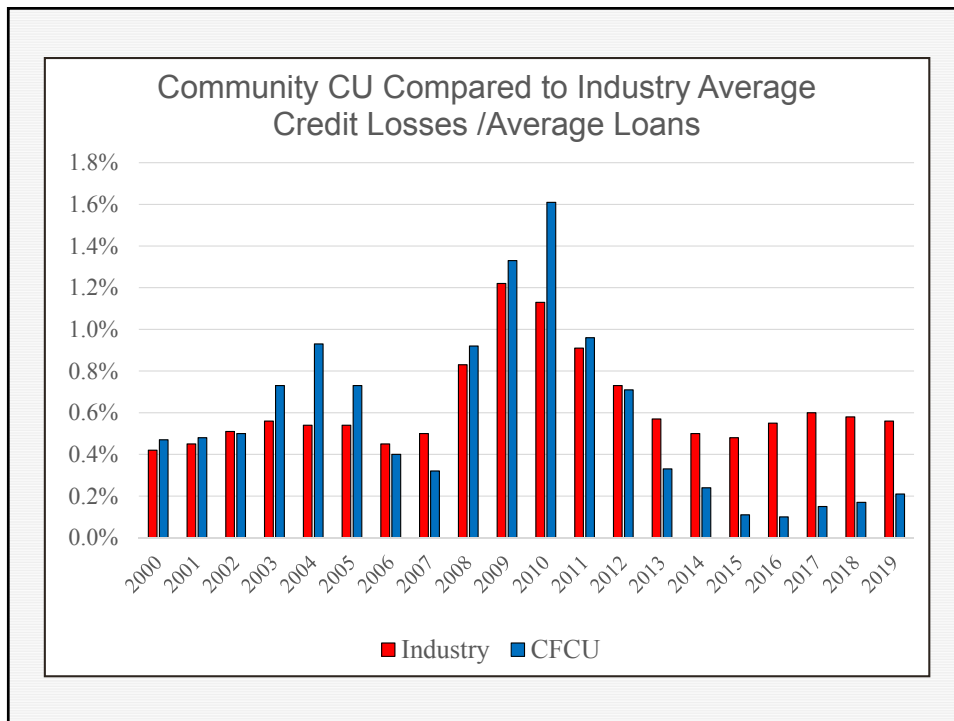
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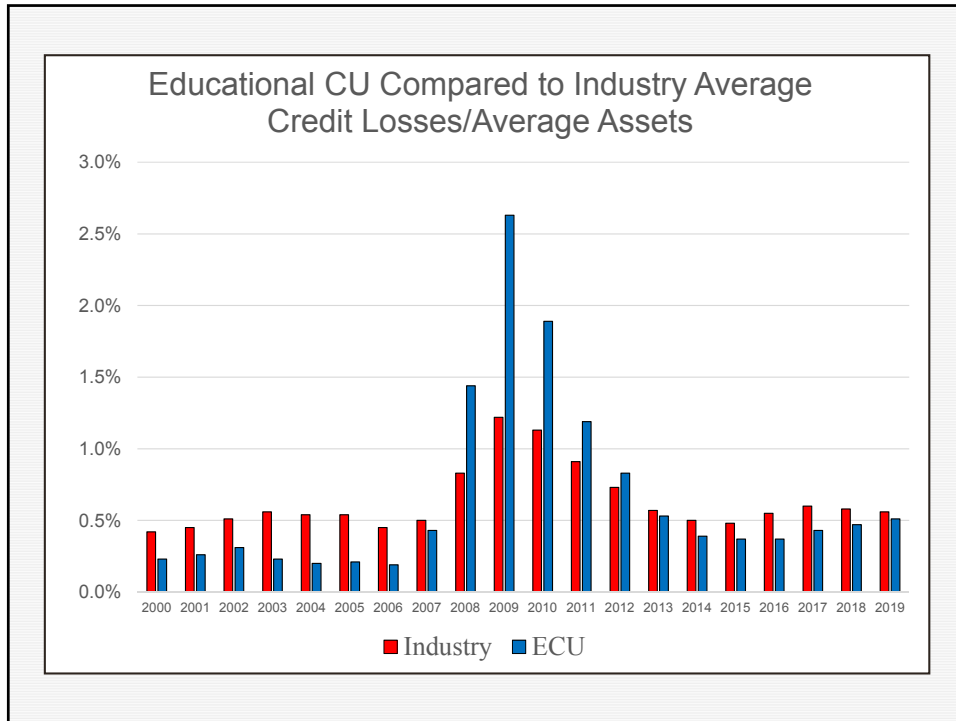
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6



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The diagram illustrates the relationship between Regulatory Capital and the net worth ratio. On the left, a dark grey vertical bar is labeled "Regulatory Capital". To the right, two rounded rectangular boxes provide details: a red box at the top states "Initial transfer directly from Regular Reserve", and a blue box at the bottom states "NCUA will adjust net worth ratio accordingly to phase in transition".

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**About
the
Presenter**

MICHAEL E. RICHARDS, CPA

Mike Richards has held the position of CEO of Richards & Associates, CPAs for over forty years. He joined the firm in 1973 after earning a bachelors degree in business administration from the California State University at Los Angeles and becoming a Certified Public Accountant. In addition to introducing many new services, he is responsible for quality control of all professional services offered by the firm.

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